

# **DROP Workshop**

## **September 20, 2018**



### **RETIREMENT BENEFITS OFFICE**

**Carlos Lorenzo**  
**Retirement Supervisor**  
**633-1000, Ext. 260**

# BENCOR National Plan

## Brevard Public Schools Special Pay Plan for Sick Leave and Annual Leave

Presented by:

David Payne

BENCOR Retirement  
Consultants

# Why do you have the BENCOR Special Pay Plan?

Taxes

Taxes

Taxes

# Tax Savings & Deferrals

- FICA - Social Security and MediCare Taxes (7.65% Permanently Saved)
- Federal Income Taxes Deferred

# Special Pay Comparison

Current w/o Plan

\$ 10,000.00

2,800.00 Fed Tax

620.00 FICA

145.00 Medicare

6,435.00 Net Pay

With BENCOR Plan

\$ 10,000.00

\$ 0 Fed Tax Deferred

\$ 0 FICA Saved

\$ 0 Medicare Saved

\$ 10,000.00 Deposited

# Contribution Limits

- Annual Maximum Limits
  - 100% of Salary up to \$53,000
- Multiple Contributions
  - Made over DROP Years

Salary calculated from July 1st to June 30th

# Contributions during DROP

- Multiple Annual Contributions
  - Increasing percentage of Sick leave at end of each year of DROP

Year 1	20%
Year 2	25%
Year 3	33%
Year 4	50%
Year 5	100%

# Your Account

- **General Account - Fixed Interest**
  - Guarantee of Principal & Interest - Guaranteed by Transamerica Financial Life Ins. Co.
    - Currently 1.00%
  - No fees assessed against account
  - All deposits go into this account unless you choose otherwise
- **Market Based Investment Options**
  - 16 Mutual Fund Choices
  - Account Management Fees



# Guaranteed Pooled Fund



**BENCOR**  
INC.



DIVERSIFIED  
INVESTMENT  
ADVISORS



**TRANSAMERICA**  
*The Power of the Pyramid®*

Year	Interest Rate	Year	Interest Rate
1999	4.75%	2007	4.15%
2000	6.00%	2008	4.05%
2001	5.50%	2009	3.85%
2002	4.25%	2010	3.00%
2003	4.00%	2011	*1.30%
2004	3.60%	2012	1.00%
2005	3.50%	2013	1.00%
2006	3.75%	2014	1.00%

\*Rate of 2.05% guaranteed on funds received  
by August 31<sup>st</sup> , 2011

# Plan Features

- Liquidity & Flexibility
- Safety
- Tax-Deferred Earnings
- Optional Investment Accounts
- Loans
- Probate Avoidance

# Employee Account Information

- Using your account (Subject to IRS Guidelines)
  - Withdrawals at employment separation
    - Use as income or take as you need
  - Loans
    - $\frac{1}{2}$  of account balance up to \$50,000 (one time \$100 fee)
  - Change Investments
    - Over the phone, online
  - Rollovers - In & Out

# What happens at DROP termination?

- DROP Accumulations for most participants
  - \$100,000 to \$200,000
- DROP Options
  - Take Cash - Pay taxes
  - Rollover - Defer taxes
  - Combination Cash & Rollover

# Investment Advice

- BENCOR provides dedicated local investment representatives for assistance to Special Pay participants

OUR LOCAL REPRESENTATIVES ARE

David Payne

Travis Payne

982 Brevard Ave #2

Rockledge, FL 32955

(By appointment only)

1-800-330-4014

[dpayne@bencorrep.com](mailto:dpayne@bencorrep.com)

[tpayne@bencorrep.com](mailto:tpayne@bencorrep.com)

# Questions & Answers

# Topics



- FRS Pension Plan Overview
- How does DROP work?
- DROP Election Period
- Deferring DROP Participation
- DROP Extensions
- Termination Pay
- History Summary
- How to read an estimate
- Benefit Options
- How to read a DROP estimate
- DROP/Retirement Planning

# FRS Pension Plan Overview



## *Employee Contributions*

- FRS members are required to make a 3% retirement contribution.
- DROP participants are not required to make the employee contribution.



# FRS Pension Plan Overview



## *Vesting, Average Final Compensation, and Normal or Full Retirement*

Initially Employed before 7/01/11	Initially Employed on or after 7/01/11 *
<b>Vesting:</b> After 6 years of service.	<b>Vesting:</b> After 8 years of service.
<b>Average Final Compensation (AFC):</b> Calculated on the average of the 5 highest fiscal years of salary.	<b>AFC:</b> Calculated on the average of the 8 highest fiscal years of salary.
<b>Normal or Full Retirement:</b> <ul style="list-style-type: none"><li>• After 30 years of service at any age.</li><li>• At age 62 after vesting (6 years).</li><li>• After age 62 upon vesting (6 years).</li></ul>	<b>Normal or Full Retirement:</b> <ul style="list-style-type: none"><li>• After 33 years of service at any age.</li><li>• At age 65 after vesting (8 years).</li><li>• After age 65 upon vesting (8 years).</li></ul>

\* Employees who have never worked for any FRS employer before 07/01/11.

# FRS Pension Plan Overview



## *Deferred Retirement Option Program (DROP)*

- DROP Accrual Interest Rate: 1.3%
- Variable Cost-of-Living Adjustment (COLA)

Example:

A member who enters DROP effective July 1, 2014 with 30 years of service of which 27 years occurred before July 1, 2011:

$$27/30 = .9000 \times 3 \text{ percent} = 2.7 \text{ percent}$$

This member will receive a 2.7 percent COLA each July.

# How does DROP work?



- DROP (Deferred Retirement Option Program) is a retirement choice that allows employees to retire and continue to work.
- Monthly retirement pension benefits are deferred into a DROP savings account which earns interest.
- At the end of the 5-year DROP period, when employees stop working and actually retire, they will receive a monthly pension plus the balance of their DROP account.

# DROP Election Period



## *Support and Administrative Personnel*

- Employees in this category have a 12-month election window that begins at normal retirement. Those who do not apply during this election window will lose their eligibility to participate in the DROP program.
- Also, the 60-month (5-year) DROP period will be reduced on a month-to-month basis for every month employee delays participation after reaching normal retirement.

# DROP Election Period



## *Instructional Personnel*

- There is no election window for instructional employees (grades K-12 as defined in s. 1012.01(2), F.S.).
- Employees in K-12 instructional positions may enter DROP at any time after reaching normal retirement.  
*Included in this designation are instructional paraprofessionals, i.e. Instructional Assistants and Media Specialists.*

# Deferring DROP participation



- DROP participation election may be deferred under the following circumstances:
- **Support and Administrative** personnel, who reach 30 years of service before age 57, may defer DROP participation up to age 57. At age 57 the 12-month election window begins.

# Deferring DROP participation



- **Instructional** personnel (grades K-12 as defined in s. 1012.01(2), F.S.) may choose to participate in DROP at any time after reaching normal retirement and still be entitled to elect to participate for the full 60 months (5 years).

# DROP Extensions



- **Instructional** personnel (grades K-12 as defined in s. 1012.01(2)(a)-(d), F.S.) may apply to extend DROP participation for an additional 36 months (3 years) with authorization from the employer and approval by the Division of Retirement.

*Note: Instructional Assistants cannot extend DROP beyond 60 months.*



# Termination Pay



## *Sick Pay*

Accrued sick leave is paid out at retirement based on years of service with Brevard Public Schools.

During years	% of balance paid
1 – 3	35%
4 – 6	40%
7 – 9	45%
10 – 12	50%
13 or after	100%

# Termination Pay



For employees with 13 years of service or more, sick leave is paid out during DROP participation years according to this schedule:

Year in DROP	Percent of sick balance paid
1	20%
2	25%
3	33.33%
4	50%
5	100%

# Termination Pay



- Employees with fewer than 13 years at the beginning of DROP will have no sick leave paid out until reaching 13 years of service.
- Employees who complete the 5-year DROP participation period before completing 13 years of service will be paid out sick leave upon retirement based on the sick pay schedule for years of service.
- Sick leave is not paid out during DROP extension years; it is allowed to accumulate and paid out upon retirement.

# Termination Pay



## ***Vacation Pay***

Accrued vacation pay is limited to a maximum of 60 days, which is calculated based on the employee's assigned work schedule.

Hours/day	Maximum vacation payout
8 x 60 =	480 hours
7 x 60 =	420 hours
6 x 60 =	360 hours

# Termination Pay



- Employees who earn vacation may elect to pay it out at the beginning of DROP to have it included in the Average Final Compensation.
- The maximum vacation payout may not exceed 60 days in total.

*For example, if 50 days were paid at the beginning of DROP, then only 10 days will be eligible for payout upon retirement.*

# FRS History Summary



Summary of your service history with FRS shows:

- Years of service credit
- Salary for each year

# SAMPLE HISTORY SUMMARY

[Welcome](#)

[Member Services](#)

[Member Information](#)

[History Summary](#)

[Service Summary](#)

[Beneficiary](#)

[Member Annual](#)

[Statement](#)

[Benefit Estimates](#)

[Current Estimate](#)

[Create Estimate](#)

[Employer Services](#)

[Member Info](#)

[Member Account Info](#)

[Return to Main Menu](#)

[Log Out](#)

**Member SSN: XXX-XX-1234**

Name:	Your Name	Birth Date:	01/01/1959	Gender:	Female
Address:	Your Address City, State 12345	Plan:	HA FRS-Regular Class		
		Agency:	15007 BREVARD CO SCHOOL BOARD		

## History Summary

Fiscal Year	Service Type Code	Agency Number	Plan Code	Service Credit Years	Total Salary
1988-89	PAYRL	15007	HA	0.50	4,677.67
1989-90	PAYRL	15007	HA	1.00	9,636.55
1990-91	PAYRL	15007	HA	1.00	10,118.38
1991-92	PAYRL	15007	HA	1.00	10,826.66
1992-93	PAYRL	15007	HA	1.00	11,692.80
1993-94	PAYRL	15007	HA	1.00	12,277.44
1994-95	PAYRL	15007	HA	1.00	13,136.86
1995-96	PAYRL	15007	HA	1.00	13,793.70
1996-97	PAYRL	15007	HA	1.00	14,483.38
1997-98	PAYRL	15007	HA	1.00	15,497.22
1998-99	PAYRL	15007	HA	1.00	16,737.00
1999-00	PAYRL	15007	HA	1.00	17,573.85
2000-01	PAYRL	15007	HA	1.00	18,452.54
2001-02	PAYRL	15007	HA	1.00	19,375.17
2002-03	PAYRL	15007	HA	1.00	20,925.18
2003-04	PAYRL	15007	HA	1.00	21,971.44
2004-05	PAYRL	15007	HA	1.00	23,070.01
2005-06	PAYRL	15007	HA	1.00	24,223.51
2006-07	PAYRL	15007	HA	1.00	25,434.69
2007-08	PAYRL	15007	HA	1.00	27,215.12
2008-09	PAYRL	15007	HA	1.00	27,215.12
2009-10	PAYRL	15007	HA	1.00	27,215.12
2010-11	PAYRL	15007	HA	1.00	28,410.00
2011-12	PAYRL	15007	HA	1.00	28,607.38
2012-13	PAYRL	15007	HA	1.00	30,994.21
2013-14	PAYRL	15007	HA	1.00	30,994.21
2014-15	PAYRL	15007	HA	1.00	30,994.21
2015-16	PAYRL	15007	HA	1.00	32,314.45
2016-17	PAYRL	15007	HA	1.00	32,539.68
2017-18	PAYRL	15007	HA	1.00	33,839.57
2018-19	PAYRL	15007	HA	0.10	6,839.57

Total: 29.60

This reflects service through 08/2018

The total amount of contributions and payments you made to your retirement account through 8/2018 is \$6,1213.41

# FRS Retirement Estimate



- The Retirement Estimate calculates an estimate of your retirement benefit options.



[Welcome](#)  
[Member Services](#)  
[Member Information](#)  
[History Summary](#)  
[Service Summary](#)  
[Beneficiary](#)  
[Member Annual Statement](#)  
[Benefit Estimates](#)  
[Current Estimate](#)  
[Create Estimate](#)  
[Employer Services](#)  
[Member Info](#)  
[Member Account Info](#)  
[Return to Main Menu](#)  
[Log Out](#)

**Member SSN: XXX-XX-1234**

Name: Your Name Birth 01/01/1959 Gender: Female  
 Date:  
 Address: Your Address Plan: HA FRS-Regular Class  
 City, State  
 12345 Agency: 15007 BREVARD CO SCHOOL  
 BOARD

**Retirement Criteria**

Please Enter a Retirement Age: \_\_\_\_\_  
 OR a Retirement Date: 01/2019 (mm/yyyy)  
 Please Enter a Termination Date: \_\_\_\_\_ (mm/dd/yyyy)  
 (If you do not intend to work until your  
 retirement age or retirement date)

Please Choose the AFC Forecast Method:

- \$32,136.24 AFC through last FY
- \$32,000.00 FY Salary

Please Enter Annual Percent Increase of 0.0  
 Salary or AFC above:

Please Enter Annual Leave Payment at  
 retirement: \_\_\_\_\_  
 (See Help for information before  
 entering)

OR  
 Enter the AFC you wish to use for this  
 estimate: \_\_\_\_\_

Spouse/ Joint Annuitant Name: Spouse's Name  
 Spouse/ Joint Annuitant Birth Date: 07/01/1957 (mm/dd/yyyy)

**Calculate                      Reset**

**Estimate Results**

<u>Plan</u>	<u>Description</u>	<u>Service Credit</u>	<u>Value Percent</u>	<u>Accrued Percentage</u>
HA	FRS-REGULAR CLASS	30.00	1.60	48.00
Total		30.00		48.00

**SAMPLE  
 RETIREMENT  
 ESTIMATE**

# SAMPLE RETIREMENT ESTIMATE

Retirement Date: 1/1/2018  
Retirement Age: 60 years 0 months

Joint Annuitant  
Retirement Age: 62 years 6 months

Average Final  
Compensation (AFC):

Accrued Percentage: 48.00

Normal Annual Benefit: 18,510.48

<u>Option</u>	<u>Factor</u>	<u>Monthly Benefit</u>	<u>Survivor Benefit</u>
1	1.00000	1542.54	
2	0.95627	1475.09	
3	0.94516	1457.94	1457.94
4	0.96780	1492.87	995.25

Based on the above estimate, you may be eligible to participate in DROP. For more information, [click here](#).

**Note:** This statement and calculations of your estimated retirement benefit are based on unverified data and are only approximations of the amount you would receive upon retiring. Future changes in salary and other factors will affect the amount shown. If you are considering retirement, please contact the [Bureau of Retirement Calculations](#) for an estimate.

# FRS Benefit Options



Under the Pension Plan, you may choose to receive your retirement benefit under one of four lifetime **benefit options**.

- **Option 1** provides a monthly benefit for your lifetime, but does not provide a continuing benefit to a beneficiary.

# FRS Benefit Options



- **Option 2** provides a reduced monthly benefit for your lifetime, with a guarantee that your beneficiary will be eligible for a continuing benefit for 10 years from the date you retire (including any period of DROP participation).

After 10 years of retirement, no benefits are payable to your beneficiary, in the event of your death.

# FRS Benefit Options



**Options 3 and 4** provide a continuing benefit to your spouse upon your death

- Under certain circumstances, you may select a qualifying dependent beneficiary other than a spouse as a joint annuitant.
- Please contact FRS @ 1-844-377-1888 for more information.

# FRS Benefit Options



- **Option 3** provides a reduced benefit for your lifetime, and upon your death, the same monthly benefit to your spouse for his/her lifetime.

# FRS Benefit Options



- **Option 4** provides an adjusted monthly benefit for your lifetime and upon your death to your spouse for his/her lifetime.

Upon the death of either you or your spouse, the monthly pension to the survivor is reduced by one-third.

# Health Insurance Subsidy



FRS provides a subsidy of \$5.00 per month for every year of service (not including years in DROP) up to \$150.00 to help with the cost of insurance benefits.



# DROP Estimate



- The DROP Estimate projects each retirement option over 5 years.

Member SSN: XXX-XX-1234

Name: Your Name Birth Date: 01/01/1957 Gender: FEMALE  
 Address: Your Address City, State Zip Code Plan: HA FRS-REGULAR CLASS Agency: 15007 BREVARD CO SCHOOL BOARD

**Deferred Retirement Option Program (DROP) Estimated Benefit Accrual Calculation Help?**

**DROP Begin Date: 01/2019**    **DROP End Date: 12/2023**    **Months in DROP: 60**    **Accrual Interest Rate: 1.30%**    **COLA Percentage: 2.50%**

**Fiscal Year: 2019**

	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
<b>Benefit</b>	<b>1542.54</b>	<b>1475.09</b>	<b>1457.94</b>	<b>1492.87</b>
01/2019	1542.54	1475.08	1453.55	1492.87
02/2019	3087.68	2952.65	2909.55	2988.26
03/2019	4631.52	4428.97	4364.32	4482.39
04/2019	6175.36	5905.29	5819.09	5976.51
05/2019	7719.20	7381.61	7273.87	7470.64
06/2019	9263.04	8857.94	8728.64	8964.77

**Fiscal Year: 2020**

<b>Benefit</b>	<b>1581.11</b>	<b>1511.97</b>	<b>1494.39</b>	<b>1530.19</b>
07/2019	10806.88	10334.26	10183.41	10458.90
08/2019	12350.72	11810.58	11638.19	11953.03
09/2019	13894.56	13286.90	13092.96	13447.16
10/2019	15438.40	14763.23	14547.73	14941.28
11/2019	16982.24	16239.55	16002.51	16435.41
12/2019	18526.08	17715.87	17457.28	17929.54
01/2020	20069.92	19192.19	18912.05	19423.67
02/2020	21613.76	20668.52	20366.83	20917.80
03/2020	23157.30	22144.55	21821.32	22411.63
04/2020	24701.44	23621.16	23276.37	23906.05
05/2020	26245.28	25097.48	24731.15	25400.18
06/2020	27789.12	26573.81	26185.92	26894.31

SAMPLE  
 DROP  
 ESTIMATE

# Steps for Enrolling in DROP



- DROP meetings are for the purpose of completing the necessary paperwork so individuals may enroll in the DROP program.
- The meetings are held in the Retirement Office several times per month from 4:30 – 6:30 p.m.

# Steps for Enrolling in DROP



## **Step One**

- When planning to enroll in DROP, employees may request an estimate by contacting FRS at: 1-844-377-1888 or by completing the Estimate Request Form found on the Retirement Web site and submitting it to the Retirement Office.

## **Step Two**

- DROP meetings fill up quickly. We recommend that interested employees contact our office 6 months in advance for information, and to schedule an appointment.

# Steps for Retirement



- Retirement meetings are held in the Retirement Office several times per month 9:00 a.m. – 3:00 p.m.
- Most employees tend to retire May – July, and we can start meeting with them as early as January, so we recommend calling for an appointment as soon as employees decide on a retirement date.

# Steps for Retiring



## **Step One**

- When planning to retire and perhaps even to decide on a retirement date, employees may request an estimate by completing the Estimate Request Form found on the Retirement Web site and submitting it to the Retirement Office.

## **Step Two**

- Because retirement meetings fill up quickly, we recommend that employees planning on retiring contact our office as early as 6 months in advance for information, and to schedule an appointment.

# Contact Numbers



## **Retirement Office:**

Patty Snorf, Retirement Administrative Secretary

Debbie Burgess, Retirement Specialist

Carlos Lorenzo, Retirement Supervisor

633-1000 ext. 260

## **MyFRS Financial Guidance Line:**

1-866-446-9377

**QUESTIONS?**